
STATUTORY INSTRUMENTS

2008 No. 1911

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008

PART 11

APPOINTMENT OF AUDITORS

Appointment of auditors

36. Sections 485 to 488 apply to LLPs, modified so that they read as follows—

“485 Appointment of auditors: general

(1) An auditor or auditors of an LLP must be appointed for each financial year of the LLP, unless the designated members reasonably determine otherwise on the ground that audited accounts are unlikely to be required.

(2) For each financial year for which an auditor or auditors is or are to be appointed (other than the LLP's first financial year), the appointment must be made before the end of the period of 28 days beginning with—

- (a) the end of the time allowed for sending out copies of the LLP's [^{F1}annual accounts and reports] for the previous financial year (see section 423), or
- (b) if earlier, the day on which copies of the LLP's [^{F1}annual accounts and reports] for the previous financial year are sent out under section 423.

This is the “period for appointing auditors”.

- (3) The designated members may appoint an auditor or auditors—
 - (a) at any time before the LLP's first period for appointing auditors,
 - (b) following a period during which the LLP (being exempt from audit) did not have any auditor, at any time before the LLP's next period for appointing auditors, or
 - (c) to fill a casual vacancy in the office of auditor.
- (4) The members may appoint an auditor or auditors—
 - (a) during a period for appointing auditors,
 - (b) if the LLP should have appointed an auditor or auditors during a period for appointing auditors but failed to do so, or
 - (c) where the designated members had power to appoint under subsection (3) but have failed to make an appointment.
- (5) An auditor or auditors of an LLP may only be appointed—
 - (a) in accordance with this section, or
 - (b) in accordance with section 486 [^{F2}or section 486A] (default power of Secretary of State).

This is without prejudice to any deemed re-appointment under section 487.

[F3] Appointment of auditors: additional requirements for public interest entities with audit committees

(1) This section applies to the appointment under section 485(4) of an auditor or auditors of an LLP—

- (a) which is also a public interest entity; and
- (b) which has an audit committee.

(2) But it does not apply to the appointment of an Auditor General as auditor or one of the auditors of the LLP.

(3) Before an appointment to which this section applies is made—

- (a) the audit committee of the LLP must make a recommendation to the designated members in connection with the appointment, and
- (b) the designated members must propose an auditor or auditors for appointment.

(4) Before the audit committee makes a recommendation or the designated members make a proposal under subsection (3), the committee must carry out a selection procedure in accordance with Article 16(3) of the Audit Regulation.

(5) The audit committee must in its recommendation—

- (a) identify its first and second choice candidates for appointment, drawn from those auditors who have participated in a selection procedure under subsection (4),
- (b) give reasons for the choices so identified,
- (c) state that—
 - (i) the recommendation is free from influence by a third party, and
 - (ii) no contractual term of the kind mentioned in Article 16(6) of the Audit Regulation has been imposed on the LLP.

(6) The designated members must include in their proposal—

- (a) the recommendation made by the audit committee in connection with the appointment, and
- (b) if the proposal of the designated members departs from the preference of the audit committee—
 - (i) a recommendation for a candidate or candidates for appointment drawn from those auditors who have participated in a selection procedure under subsection (4), and
 - (ii) the reasons for not following the audit committee's recommendation.

(7) Where the audit committee recommends re-appointment of the LLP's existing auditor or auditors, and the designated members are in agreement, subsections (4) and (5)(a) and (b) do not apply.

Appointment of auditors: additional requirements for public interest entities without audit committees

(1) This section applies to the appointment under section 485(4) of an auditor or auditors of an LLP—

- (a) which is also a public interest entity; and
- (b) which does not have an audit committee.

(2) But it does not apply to the appointment of an Auditor General as auditor or one of the auditors of the LLP.

(3) Before an appointment to which this section applies is made the designated members must propose an auditor or auditors for appointment.

(4) Before the designated members make a proposal under subsection (3), they must carry out a selection procedure in accordance with Article 16(3) of the Audit Regulation, from which their proposed auditor or auditors must be drawn.

(5) Subsection (4) does not apply in relation to a proposal to re-appoint the LLP's existing auditor or auditors.

Restriction on appointment of auditor of LLP which is a public interest entity

(1) A person who has been, or will have been, auditor of an LLP which is a public interest entity for every financial year comprised in the maximum engagement period (see section 494ZA) may not be appointed as auditor of the LLP for any financial year which begins within the period of 4 years beginning with the day after the last day of the last financial year of the maximum engagement period.

(2) A person who is a member of the same network as the auditor mentioned in subsection (1) may not be appointed as auditor of the LLP for any financial year which begins within the period of 4 years mentioned in that subsection.

(3) This section does not apply in relation to an Auditor General.]

486 Appointment of auditor: default power of Secretary of State

(1) If an LLP fails to appoint an auditor or auditors in accordance with section 485, the Secretary of State may appoint one or more persons to fill the vacancy.

(2) Where subsection (2) of that section applies and the LLP fails to make the necessary appointment before the end of the period for appointing auditors, the LLP must within one week of the end of that period give notice to the Secretary of State of his power having become exercisable.

(3) If an LLP fails to give the notice required by this section, an offence is committed by—

- (a) the LLP, and
- (b) every designated member who is in default.

(4) A person guilty of an offence under this section is liable on summary conviction to a fine not exceeding level 3 on the standard scale and, for continued contravention, a daily default fine not exceeding one-tenth of level 3 on the standard scale.

[^{F4}Defective appointments: default power of Secretary of State

(1) If—

- (a) an LLP appoints, or purports to appoint, an auditor or auditors, and
- (b) the appointment or purported appointment is made in breach of section 485A, 485B or 485C (requirements applying to appointment of auditors by public interest entities),

the Secretary of State may appoint another auditor or auditors in place of the auditor or auditors referred to in paragraph (a).

(2) The breach of section 485A, 485B or 485C does not invalidate any report made under Chapter 3 of this Part by the auditor or auditors on the LLP's annual reports or accounts before the auditor or auditors are replaced under subsection (1) of this section.

(3) But where the breach in question is a breach of section 485C, sections 1248 and 1249 (Secretary of State's power to require second audit for companies) apply as if—

- (a) the LLP was a company;
- (b) the auditor was not an appropriate person, or the auditors were not appropriate persons, for the period during which the audit was conducted.

(4) Within one week of becoming aware of the breach of section 485A, 485B or 485C, the LLP must give notice to the Secretary of State that the power under subsection (1) of this section has become exercisable.

(5) If the LLP fails to give the notice required by subsection (4), an offence is committed by—

- (a) the LLP, and
- (b) every member of the LLP who is in default.

(6) A person guilty of an offence under this section is liable on summary conviction to a fine not exceeding level 3 on the standard scale and, for continued contravention, a daily default fine not exceeding one-tenth of level 3 on the standard scale.]

487 Term of office of auditors

(1) An auditor or auditors of an LLP hold office in accordance with the terms of their appointment, subject to the requirements that—

- (a) they do not take office until any previous auditor or auditors cease to hold office, and
- (b) they cease to hold office at the end of the next period for appointing auditors unless re-appointed.

(2) Where no auditor has been appointed by the end of the next period for appointing auditors, any auditor in office immediately before that time is deemed to be re-appointed at that time, unless—

- (a) the LLP agreement requires actual re-appointment, or
- (b) the deemed re-appointment is prevented by the members under section 488, or
- (c) the members have determined that he should not be re-appointed, or
- (d) the designated members have determined that no auditor or auditors should be appointed for the financial year in question^{F5}, or
- (e) the auditor's appointment would be in breach of section 485C.]

(3) This is without prejudice to the provisions of this Part as to removal and resignation of auditors.

(4) No account shall be taken of any loss of the opportunity of deemed reappointment under this section in ascertaining the amount of any compensation or damages payable to an auditor on his ceasing to hold office for any reason.

488 Prevention by members of deemed re-appointment of auditor

(1) An auditor of an LLP is not deemed to be re-appointed under section 487(2) if the LLP has received notices under this section from members representing at least the requisite percentage of the total voting rights in the LLP that the auditor should not be re-appointed.

(2) The “requisite percentage” is 5%, or such lower percentage as is specified for this purpose in the LLP agreement.

(3) A notice under this section—

- (a) may be in hard copy or electronic form,
- (b) must be authenticated by the person or persons giving it, and
- (c) must be received by the LLP before the end of the accounting reference period immediately preceding the time when the deemed reappointment would have effect.”

Textual Amendments

- F1** Words in [reg. 36](#) substituted (with effect for financial years beginning on or after 6.4.2021) by [The European Grouping of Territorial Cooperation and Limited Liability Partnerships etc. \(Revocations and Amendments\) \(EU Exit\) Regulations 2021 \(S.I. 2021/153\)](#), [regs. 1, 18](#)
- F2** Words in [reg. 36](#) inserted (with effect in accordance with [reg. 2\(5\)\(a\)](#) of the amending S.I.) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), [reg. 1\(2\)\(3\)](#), [Sch. 3 para. 11\(a\)](#) (with [reg. 2\(6\)\(7\)](#))
- F3** Words in [reg. 36](#) inserted (with effect in accordance with [reg. 2\(5\)\(a\)](#) of the amending S.I.) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), [reg. 1\(2\)\(3\)](#), [Sch. 3 para. 11\(b\)](#) (with [reg. 2\(6\)\(7\)](#))
- F4** Words in [reg. 36](#) inserted (with effect in accordance with [reg. 2\(5\)\(a\)](#) of the amending S.I.) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), [reg. 1\(2\)\(3\)](#), [Sch. 3 para. 11\(c\)](#) (with [reg. 2\(6\)\(7\)](#))
- F5** Words in [reg. 36](#) inserted (with effect in accordance with [reg. 2\(5\)\(a\)](#) of the amending S.I.) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), [reg. 1\(2\)\(3\)](#), [Sch. 3 para. 11\(d\)](#) (with [reg. 2\(6\)\(7\)](#))

Fixing of auditor remuneration

37. Section 492 applies to LLPs, modified so that it reads as follows—

“Fixing of auditor's remuneration

492.—(1) The remuneration of an auditor appointed by the LLP must be fixed by the designated members or in such manner as the members of the LLP may determine.

(2) The remuneration of an auditor appointed by the Secretary of State must be fixed by the Secretary of State.

(3) For the purposes of this section “remuneration” includes sums paid in respect of expenses.

(4) This section applies in relation to benefits in kind as to payments of money.”

Disclosure of auditor remuneration

38. Section 494 applies to LLPs, modified so that it reads as follows—

“Disclosure of services provided by auditor or associates and related remuneration

494. Parts 1 and 2 of the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 (S.I. 2008/489) apply to LLPs with the following modifications—

- (a) in regulation 3(1), omit the definition of “principal terms”;
- (b) references to 6th April 2008 are to be read as references to 1st October 2008;
- (c) references to a company include references to an LLP; and
- (d) except in paragraph 3 of Schedule 1, references to a director or to an officer of a company include references to a member of an LLP.”

[^{F6}The maximum engagement period

38A. Section 494ZA applies to LLPs, modified so that it reads as follows—

“**494ZA.**—(1) Where a person is auditor of an LLP for consecutive financial years, the maximum engagement period of the person as auditor of the LLP—

- (a) begins with the first of those years (see the appropriate entry in the first column of the following Table), and
- (b) ends with the financial year specified in the corresponding entry in the second column of the Table:

<i>First financial year of the maximum engagement period</i>	<i>Last financial year of the maximum engagement period</i>
A financial year of the LLP beginning before 17 June 1994.	The last financial year of the LLP to begin before 17 June 2020.
A financial year of the LLP beginning—	The last financial year of the LLP to begin before 17 June 2023.
(a) on or after 17 June 1994, and	
(b) before 17 June 2003.	
A financial year of the LLP beginning—	<i>No qualifying selection procedure</i>
(a) on or after 17 June 2003, and	Where neither the first financial year of the maximum engagement period nor any subsequent financial year is one for which the auditor has been appointed following the carrying out of a qualifying selection procedure, the later of—
(b) before 17 June 2016.	(a) the last financial year of the LLP to begin before 17 June 2016, and
	(b) the last financial year of the LLP to begin within the period of 10 years beginning with the first day of the first financial year of the maximum engagement period.
	<i>No qualifying selection procedure within 10 years</i>
	Where the last day of the last financial year of the LLP to begin within the period of 10 years beginning with the first day

<i>First financial year of the maximum engagement period</i>	<i>Last financial year of the maximum engagement period</i>
	<p>of the last financial year of the LLP for which the auditor was appointed following a qualifying selection procedure is before 17 June 2016—</p> <p>(a) the last financial year of the LLP to begin before 17 June 2016, unless</p> <p>(b) the auditor is appointed following a qualifying selection procedure for the first financial year of the LLP to begin on or after 17 June 2016, in which case it is the last financial year of the LLP to begin within the period of 20 years beginning with the first day of the first financial year of the maximum engagement period.</p> <p><i>Qualifying selection procedure within 10 years</i></p> <p>In any other case, the earlier of—</p> <p>(a) the last financial year of the LLP to begin within the period of 10 years beginning with the first day of the last financial year of the LLP for which the auditor was appointed following a qualifying selection procedure, and</p> <p>(b) the last financial year of the LLP to begin within the period of 20 years beginning with the first day of the first financial year of the maximum engagement period.</p>
<p>A financial year of the LLP beginning on or after 17 June 2016.</p>	<p>The earlier of—</p> <p>(a) the last financial year of the LLP to begin within the period of 10 years beginning with the first day of the last financial year of the LLP for which the auditor was appointed following a qualifying selection procedure, and</p> <p>(b) the last financial year of the LLP to begin within the period of 20 years beginning with the first day of the first financial year of the maximum engagement period.</p>

(2) Where the first financial year of the maximum engagement period begins on or after 17 June 2003, the maximum engagement period may be extended by a period of no more than 2 years with the approval of the competent authority.

(3) Such approval may be given by the competent authority only if it is satisfied that exceptional circumstances exist.

(4) Where the competent authority gives its approval as mentioned in subsection (2)—

- (a) the second column of the Table in subsection (1) has effect with the necessary modifications, and
- (b) the first appointment to be made after the end of the period as so extended must be made following a qualifying selection procedure.

(5) In this section “qualifying selection procedure” means—

- (a) in the case of an appointment for a financial year beginning on or after 17 June 2016 made after the Statutory Auditors and Third Country Auditors Regulations 2017 come into force—
 - (i) if the LLP has an audit committee, a selection procedure that complies with the requirements of section 485A(4) and (5)(a) and (b), and
 - (ii) if the LLP does not have an audit committee, a selection procedure that complies with the requirements of [^{F7}section 485B(4)];
- (b) in any other case, a selection procedure that substantially meets the requirements of Article 16(2) to (5) of the Audit Regulation [^{F8}as it had effect immediately before IP completion day], having regard to the circumstances at the time (including whether the LLP had an audit committee).”

Textual Amendments

- F6** Regs. 38A, 38B inserted (with effect in accordance with reg. 2(5)(a) of the amending S.I.) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), **Sch. 3 para. 12** (with reg. 2(6)(7))
- F7** Words in [reg. 38A](#) substituted (31.12.2020) by [The Statutory Auditors and Third Country Auditors \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/177\)](#), regs. 2, **51(a)(i)**; 2020 c. 1, Sch. 5 para. 1(1)
- F8** Words in [reg. 38A](#) inserted (31.12.2020) by [The Statutory Auditors and Third Country Auditors \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/177\)](#), regs. 2, **51(a)(ii)** (as amended by S.I. 2020/523, regs. 1(2), 15(a)(i)); 2020 c. 1, Sch. 5 para. 1(1)

Interpretation

38B. Section 494A applies to LLPs, modified so that it reads as follows—

“Interpretation

In this Chapter—

[^{F9}audit committee” means a body which performs—

- (a) the functions referred to in—
 - (i) rule 7.1.3 of the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (audit committees and their functions) under the Financial Services and Markets Act 2000, or
 - (ii) rule 2.4 of the Audit Committee Part of the Rulebook made by the Prudential Regulation Authority under that Act,

as they have effect on IP completion day, or

(b) equivalent functions.]

“Audit Directive” means [Directive 2006/43/EC](#) of the European Parliament and of the Council on statutory audits of annual accounts and consolidated accounts, amending Council Directives [78/660/EEC](#) and [83/349/EEC](#) and repealing Council [Directive 84/253/EEC](#);

“Auditor General” means—

- (a) the Comptroller and Auditor General,
- (b) the Auditor General for Scotland,
- (c) the Auditor General for Wales, or
- (d) the Comptroller and Auditor General for Northern Ireland;

“issuer” has the same meaning as in Part 6 of the Financial Services and Markets Act 2000 (see section 102A(6));

“network” means an association of persons other than a firm co-operating in audit work by way of—

- (a) profit-sharing;
- (b) cost sharing;
- (c) common ownership, control or management;
- (d) common quality control policies and procedures;
- (e) common business strategy; or
- (f) use of a common name;

“public interest entity” means—

- (a) an issuer whose transferable securities are admitted to trading on a [^{F10}UK regulated market];
- (b) a credit institution within the meaning given by Article 4(1)(1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, [^{F11}which is a CRR firm within the meaning of Article 4(1)(2A) of that Regulation];

^{F12}”]

Textual Amendments

- F6** Regs. 38A, 38B inserted (with effect in accordance with reg. 2(5)(a) of the amending S.I.) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), **Sch. 3 para. 12** (with reg. 2(6)(7))
- F9** Words in reg. 38B substituted (31.12.2020) by [The Statutory Auditors and Third Country Auditors \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/177\)](#), regs. 2, **51(b)(i)** (as amended by S.I. 2020/523, regs. 1(2), **15(a)(ii)**); 2020 c. 1, **Sch. 5 para. 1(1)**
- F10** Words in reg. 38B substituted (31.12.2020) by [The Statutory Auditors and Third Country Auditors \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/177\)](#), regs. 2, **51(b)(ii)(aa)**; 2020 c. 1, Sch. 5 para. 1(1)
- F11** Words in reg. 38B substituted (31.12.2020) by [The Statutory Auditors and Third Country Auditors \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/177\)](#), regs. 2, **51(b)(ii)(bb)**; 2020 c. 1, Sch. 5 para. 1(1)
- F12** Words in reg. 38B omitted (31.12.2020) by virtue of [The Statutory Auditors and Third Country Auditors \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/177\)](#), regs. 2, **51(b)(iii)**; 2020 c. 1, Sch. 5 para. 1(1)

Changes to legislation:

There are currently no known outstanding effects for the The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, PART 11.